

ITEM 16



DERBY CITY COUNCIL

COUNCIL CABINET
17 MAY 2005

Report of the Director of Education and Director of Finance

Licensed Deficits

RECOMMENDATION

1. To approve licensed deficits for Firs Estate Primary School and St Martins School.

REASON FOR RECOMMENDATION

2. Under the Council's scheme for funding schools, schools usually have to set a balanced budget. However, schools may apply to set a deficit budget as long as there are good reasons for doing so, and they can demonstrate that the budget will come back into balance no later than the end of the third financial year. Where staffing reductions are necessary, these can usually only take place from September, so any savings are not fully effective until the second financial year.

SUPPORTING INFORMATION

- 3.1 Firs Estate Primary School has had a reduction in pupil numbers from 275 in January 2004 to 234 in January 2005. Together with the effect of an overestimate of numbers from the previous year, this has resulted in a reduction of 11.1% in delegated funding. It wishes to apply for a licensed deficit of £20,156 (3.5% of its budget) at the end of 2005/06, coming back into balance by the end of 2006/07. It is reducing by 2.5 fte teaching staff from September 2005 and has plans for reductions in non-teaching staff over the next couple of years.
- 3.2 St Martins School has used nearly all of its previous balance of £139,725 during 2004/05. However, it has had a significant increase in its budget for 2005/06 which partly offsets this. It wishes to apply for a licensed deficit of £12,621 (1.6% of its budget) at the end of the 2005/06 financial year, reducing to £1720 at the end of 2006/07 and coming back into balance at the end of 2007/08. It can make savings through having an acting head for two terms and reducing by one teaching assistant from January 2006. The school is assuming that its current special school place profile remains unchanged, so it would have to make adjustments in future years if that was not the case.

- 3.3 It is believed that some other schools may need to apply for a licensed deficit. However, they have failed to submit budget plans by the deadline required in the Scheme for Funding Schools, so any further applications will be taken to Cabinet on 14 June 2005.

OTHER OPTIONS CONSIDERED

4. It would be possible to insist that the schools set balanced budgets in 2005/06. However, that would result in unnecessary staffing reductions which could damage the schools' ability to deliver the curriculum.

For more information contact: Keith Howkins 01332 716872 e-mail keith.howkins@derby.gov.uk
Background papers: Requests from schools
List of appendices: Appendix 1 – Implications

IMPLICATIONS

Financial

- 1.1 Schools are normally expected to set a balanced budget. In particular circumstances a governing body can apply for a licensed deficit, provided that this would not exceed 5% of the school's budget and that the school can demonstrate that it is able to return to a balanced budget no later than the end of the third financial year. The schools with licensed deficits approved in previous years are being monitored and are on course to balance their budget within the agreed timescales. .
- 1.2 The Council pays interest on school balances. No charges are made to schools in deficit, so the cost of interest foregone for these schools falls on the Treasury Management budget, which in turn may impact on the budgets of service departments
- 1.3 The school budget plans are based on their projections of future pupil number trends and also on assumptions about the overall budget in the short and medium-term. If these turn out differently, then the schools would need to adjust their plans accordingly.

Legal

2. The procedures for approving licensed deficits are set out in the Council's scheme for funding schools, which has been approved by the Department for Education and Skills, following consultation with schools

Personnel

3. School governing bodies are responsible for making staffing decisions. Where staffing reductions are necessary, the Education Service will make every effort in consultation with trade unions to find suitable alternative employment for staff. This can only be achieved with the co-operation of other governing bodies

Equalities impact

4. None directly arising.

Corporate objectives and priorities for change

5. The proposals seek to further the Council's objective of providing "a stimulating and high quality learning environment" and address the priorities of "raising educational achievement" and ensuring that there are "no schools in the 'causing concern' category.